



ACTUARIAL REPORT

State of Minnesota Paid Family and Medical Leave Program: *2026 Annual Actuarial Report*

July 27, 2026

TABLE OF CONTENTS

1 EXECUTIVE SUMMARY	1
2 INTRODUCTION	2
2.1. Purpose	2
2.2. Background	2
3 SUMMARY OF RESULTS	5
4 ACTUARIAL CERTIFICATION	9
4.1. Reliances	9
4.2. Nature of Actuarial Calculations	9
4.3. Actuarial Opinion	10
APPENDIX A KEY ASSUMPTIONS	11
APPENDIX B METHODS	13
B.1. Development of Premium, Claims and Expense Projections	13
APPENDIX C SUMMARY OF DATA.....	15
C.1. Summary of Employee Data Received: Q4 2025 Data.....	15
APPENDIX D CERTIFICATION BY MINNESOTA DEED	16

1 EXECUTIVE SUMMARY

This report has been prepared for the Minnesota Department of Employment and Economic Development (DEED) and presents the results of the 2026 annual actuarial review for the Minnesota Paid Family and Medical Leave Program (the PFML program).

This actuarial report provides a three-year financial projection (on a calendar year basis) of the PFML program revenue, expenses, and the net fund balance.

This report provides detailed financial projections, sensitivity scenarios, as well as assumptions and methods supporting the results. Due to limited Minnesota-specific claims experience at the time of this analysis, the financial projections reflect claims assumptions developed using data from other states with PFML programs, with adjustments to reflect Minnesota demographics and program design. It is anticipated that the financial projections will be updated next year with emerging PFML data from the State of Minnesota's PFML program.

The financial projections indicate the following:

- Baseline results: rates remain at current level of 0.88% (0.66% for small employers):
 - Revenue is projected to increase from \$1,203.0M in 2026 to \$1,251.5M in 2027 (no change in premium rate). Expense is projected to increase from \$1,317.9M in 2026 to \$1,409.2M in 2027
 - The net fund balance is projected to decrease from an expected level of \$570.4M as of December 31, 2026, to \$412.7M as of December 31, 2027.
- Alternate scenario: increase premium rates to 0.93% (0.70% for small employers):
 - Premium is projected to increase to \$1,306.3M in 2027, with a resulting projected net fund balance as of December 31, 2027, to \$483.8M

	Current Premium Rates		Increase Premium Rates to 0.93%/0.70% on 1/1/2027	
	2026	2027	2026	2027
Premium	\$1,184.4	\$1,236.1	\$1,184.4	\$1,306.3
Investment Income	\$18.6	\$15.4	\$18.6	\$16.3
Incurred Claims	(\$1,222.4)	(\$1,314.0)	(\$1,222.4)	(\$1,314.0)
Expenses	(\$95.5)	(\$95.2)	(\$95.5)	(\$95.2)
Net Income/(Expense)	(\$114.9)	(\$157.7)	(\$114.9)	(\$86.6)
Net Fund Balance at Year-End	\$570.4	\$412.7	\$570.4	\$483.8

2 INTRODUCTION

2.1. Purpose

DEED engaged Spring Consulting Group LLC, an Alera Group Company, (“Spring”) to perform an independent actuarial analysis to provide a financial projection of the PFML program.

The purpose of this report is to provide the following:

- Develop financial projections for the PFML program revenue and expenses
- Assess adequacy of the FMBI Account balance to meet claims and expense obligations
- Provide analysis to support decision of future premium rate changes

2.2. Background

In 2023, the State of Minnesota passed legislation to create a comprehensive paid family and medical leave insurance program, signed into law by the governor in May 2023. The Minnesota Paid Family and Medical Leave Program (the PFML program) is established in Minnesota Statutes under Chapter 268B. The Minnesota Department of Employment and Economic Development (DEED) is responsible for administration of the program. The Family and Medical Benefit Insurance Account (the FMBI Account) was established to carry out the goals of the PFML program.

Funding

An initial funding amount of \$668.3M in FY 2024 was transferred from the General Fund to the Family and Medical Benefit Insurance Account to fund both implementation across multiple state agencies and initial benefit payments. Out of the total initial funding, \$162.8M was appropriated for DEED to implement the program, of which approximately \$90M was spent on implementation prior to January 1, 2026, with the remainder returned to the FMBI Account. Including interest earned, the FMBI Account had a balance of \$685.3M as of January 1, 2026.

The PFML program is funded by premium contributions from employers and employees. Premium contributions began January 1, 2026. The contribution amount depends on employer size and wages. Employers with 30 or fewer employees, with the average employee earning less than 150% of the state average weekly wage, contribute 0.66% of wages and can deduct up to 0.44% from their employees' wages. All other employers contribute 0.88% of wages and are allowed to deduct up to half of that amount (0.44%) from their employees' wages. Contributions are capped at the Old-Age, Survivors, and Disability Insurance wage limit, rounded to the nearest thousand dollars, which is currently \$185,000 for 2026. Premiums will be paid quarterly and deposited into the FMBI Account. Premiums continue every quarter thereafter, due on the last day of the month following each quarter.

Benefits

Benefits started on January 1, 2026. Under the PFML program, eligible workers are entitled to take paid time up to 12 weeks for a qualifying medical event and up to 12 weeks for a qualifying family event, in a 52-week benefit year. If a worker uses both family and medical leave in a year, they are entitled to take up to 20 weeks in total. Leave does not have to be taken all at once and can be taken intermittently if needed.

The majority of Minnesota employees are eligible to receive benefits as long as they meet a qualifying reason and the earnings requirement. The few exceptions include federal government employees, postal workers, railroad employees, and certain seasonal hospitality workers. Independent contractors, self-employed individuals and tribal governments must opt in to the program to be eligible. To qualify for the earnings requirement, the employee must have earned a minimum of 5.3% of the State Average Annual Wage in the last year.

Reasons that qualify for paid leave coverage include:

- Addressing the worker's own serious health condition;
- Bonding with the worker's child following birth, adoption, or foster care placement;
- Caring for a family member with a serious health condition;
- Addressing qualifying needs arising from the military deployment of a family member; and
- Taking safe leave related to domestic abuse, sexual assault, or stalking.

The weekly benefit calculation is based on the employee's average weekly wage (AWW) of the highest quarter of the four most recent completed calendar quarters and Minnesota's state average weekly wage (SAWW) which is \$1,423 as of October 1, 2025. The weekly benefit amount is calculated as follows:

1. For weekly wages between \$0 and \$711.50 (half of the SAWW), the employee will receive 90% of their AWW.
2. For weekly wages between \$711.50 and \$1,423, the employee will receive 66% of their AWW.
3. For weekly wages above \$1,423, the employee will receive 55% of their AWW.
4. The total weekly benefit is the sum of these amounts, capped at the SAWW.

The leave must last at least seven days and the payment for that period is made in arrears. Job reinstatement provisions are mandatory for employees who have been with their employer for at least 90 consecutive days before their leave starts, and other employment protections begin immediately.

Equivalent Plan Option

Employers may choose to provide benefits to employees themselves, or through an insurer, if they are able to offer an equivalent private plan. This plan must be either a self-funded plan, which requires a surety bond, or a fully insured plan that has been approved by the Minnesota Department of Commerce to meet the requirements of the statute.

3 SUMMARY OF RESULTS

The projected financials up to December 31, 2028, are provided in the following pages.

Please note the following:

- The results shown are based on available data and assumptions about future events that cannot be predicted with certainty. Sensitivity analyses were performed to illustrate the impact of potential differences in actual experience compared to the underlying assumptions used for the baseline scenario.
- The figures shown are on an incurred basis, i.e.:
 - The financials include reserves for contributions due and earned that have not yet been collected, as premiums are due on or before the last day of the month following the close of the quarter.
 - The financials shown for 2026 and onwards include reserves for claims that have occurred, but payments remain outstanding.
- The figures are provided on a calendar year basis.
- The baseline scenario provides projected financials assume that the premium rate will remain at the current levels. i.e.,
 - Employers with 30 employees or less and with the average employee earning less than 150% of the state average weekly wage contribute 0.66% of wages.
 - All other employers contribute 0.88% of wages.
- An alternate scenario is shown in this report with the premium rate increasing as follows:
 - Employers with 30 employees or less and with the average employee earning less than 150% of the state average weekly wage contribute 0.70% of wages.
 - All other employers contribute 0.93% of wages.
- Due to limited Minnesota-specific claims experience at the time of this analysis, the financial projections reflect claims assumptions developed using data from other states with PFML programs, with adjustments to reflect Minnesota demographics and program design. It is anticipated that the financial projections will be updated next year with emerging PFML data from the State of Minnesota's PFML program.
- All figures are shown in \$ millions.

Baseline Scenario: Premium Rates Remain at Current Level

	2026	2027	2028
1 Revenue			
Premium			
Premium Received	\$884.1	\$1,223.0	\$1,273.2
Reserve - Premium for Current Year Not Yet Received	\$300.3	\$313.4	\$325.9
Reserve - Premium for Prior Year, Received in Current Year	\$0.0	(\$300.3)	(\$313.4)
Incurred Premium	\$1,184.4	\$1,236.1	\$1,285.7
Investment income	\$18.6	\$15.4	\$9.6
Total Revenue	\$1,203.0	\$1,251.5	\$1,295.3
2 Expense			
Claims			
Paid Claims	(\$1,100.2)	(\$1,304.8)	(\$1,398.2)
Reserve for Claims Incurred in Current Year Not Yet Paid	(\$122.2)	(\$131.4)	(\$140.8)
Reserve for Claims Incurred in Prior Year, Paid in Current Year	\$0.0	\$122.2	\$131.4
Incurred Claims	(\$1,222.4)	(\$1,314.0)	(\$1,407.6)
Other Expenses			
Administration Expenses	(\$94.9)	(\$92.0)	(\$98.5)
Small Employer Assistance Grants	(\$0.6)	(\$3.2)	(\$3.2)
Total Other Expenses	(\$95.5)	(\$95.2)	(\$101.7)
Total Expense	(\$1,317.9)	(\$1,409.2)	(\$1,509.3)
3 Net Income/(Expense)	(\$114.9)	(\$157.7)	(\$214.0)
4 Net Fund Balance at End of Period			
Fund Balance	\$392.3	\$230.7	\$13.6
Reserve for Outstanding Premium	\$300.3	\$313.4	\$325.9
Reserve for Outstanding Claims	(\$122.2)	(\$131.4)	(\$140.8)
Net Fund Balance	\$570.4	\$412.7	\$198.7
5 Reconciliation of Net Fund Balance at End of Period			
Net Fund Balance at BOY	\$685.3	\$570.4	\$412.7
Net Income/(Expense)	(\$114.9)	(\$157.7)	(\$214.0)
Net Fund Balance at EOY	\$570.4	\$412.7	\$198.7

Alternate Scenario: Premium Rates Increase to 0.93% (0.70% for Small Employers) Effective January 1, 2027

	2026	2027	2028
1 Revenue			
Premium			
Premium Received	\$884.1	\$1,275.4	\$1,345.4
Reserve - Premium for Current Year Not Yet Received	\$300.3	\$331.2	\$344.5
Reserve - Premium for Prior Year, Received in Current Year	\$0.0	(\$300.3)	(\$331.2)
Incurred Premium	\$1,184.4	\$1,306.3	\$1,358.7
Investment income	\$18.6	\$16.3	\$13.0
Total Revenue	\$1,203.0	\$1,322.6	\$1,371.7
2 Expense			
Claims			
Paid Claims	(\$1,100.2)	(\$1,304.8)	(\$1,398.2)
Reserve for Claims Incurred in Current Year Not Yet Paid	(\$122.2)	(\$131.4)	(\$140.8)
Reserve for Claims Incurred in Prior Year, Paid in Current Year	\$0.0	\$122.2	\$131.4
Incurred Claims	(\$1,222.4)	(\$1,314.0)	(\$1,407.6)
Other Expenses			
Administration Expenses	(\$94.9)	(\$92.0)	(\$98.5)
Small Employer Assistance Grants	(\$0.6)	(\$3.2)	(\$3.2)
Total Other Expenses	(\$95.5)	(\$95.2)	(\$101.7)
Total Expense	(\$1,317.9)	(\$1,409.2)	(\$1,509.3)
3 Net Income/(Expense)	(\$114.9)	(\$86.6)	(\$137.6)
4 Net Fund Balance at End of Period			
Fund Balance	\$392.3	\$284.0	\$142.5
Reserve for Outstanding Premium	\$300.3	\$331.2	\$344.5
Reserve for Outstanding Claims	(\$122.2)	(\$131.4)	(\$140.8)
Net Fund Balance	\$570.4	\$483.8	\$346.2
5 Reconciliation of Net Fund Balance at End of Period			
Net Fund Balance at BOY	\$685.3	\$570.4	\$483.8
Net Income/(Expense)	(\$114.9)	(\$86.6)	(\$137.6)
Net Fund Balance at EOY	\$570.4	\$483.8	\$346.2

Illustration of sensitivity to changes in claims levels

The financial projections rely on several assumptions that drive estimated future claims activity. The table below provides an illustration of the impact on the net fund balance of actual claims varying compared to the assumed levels by +/- 5%.

PROJECTED NET FUND BALANCE	CURRENT PREMIUM RATES		INCREASE PREMIUM RATES TO 0.93%/0.70% ON 1/1/2027	
	2026	2027	2026	2027
CURRENT ASSUMPTIONS	\$570.4	\$412.7	\$570.4	\$483.8
CLAIMS 5% HIGHER THAN ESTIMATED	\$508.3	\$277.2	\$508.3	\$348.3
CLAIMS 5% LOWER THAN ESTIMATED	\$632.5	\$548.3	\$632.5	\$619.3

4 ACTUARIAL CERTIFICATION

4.1. Reliances

In performing this analysis, I relied on data and other information provided by DEED. I have relied on all the data and information provided as complete and accurate. I have reviewed this information for overall reasonableness and consistency but have neither audited nor independently verified this information. Based on discussions with the concurrence of DEED, assumptions or estimates may have been made if data were not available. I am not aware of any errors of omission in the data that would have a significant effect on the results of our calculations. Please be advised that the accuracy of this analysis is contingent upon the completeness and reliability of the data provided. Should any underlying information be incomplete or inaccurate, the resulting analysis may likewise be affected and may require further review to ensure its suitability for the intended purpose.

4.2. Nature of Actuarial Calculations

The results in this report are estimates based on data that may be imperfect and on assumptions about future events that cannot be predicted with certainty. The effects of certain provisions of the Minnesota program may be approximated. Assumptions may be made, in consultation with DEED, about the data and other factors. Reasonable efforts were made in preparing the results presented in this report to confirm that items that are significant in the context of the actuarial liabilities or costs are treated appropriately and are not excluded or included inappropriately.

Any rounding (or lack thereof) used for displaying numbers in this report is not intended to imply a degree of precision.

4.3. Actuarial Opinion

In my opinion, for the purposes of the results presented in this report, the data on which the analysis is based are sufficient and reliable for the purposes of this report.

The results shown in this report were developed based on assumptions that were reviewed with DEED and that I consider to be reasonable. The analysis should be viewed recognizing that future experience will not follow all the assumptions used in this analysis. Differences in assumptions and methods can result in different results which may also be considered to be reasonable.

Actuarial methods, considerations and analysis used in the preparation of this report conform to the appropriate standards of practice as promulgated by the Actuarial Standards Board, which standards form the basis of this report.

I am not aware of any subsequent events that will materially impact the results provided herein. The impact of unanticipated events which occur subsequent to the date of this report are beyond the scope of this analysis.

The results provided in this report are prepared for DEED's financial reporting purposes. It is not intended and may not be used for other purposes, and we accept no responsibility in this regard.



Harindra Sebastian, FSA, MAAA
National Chief Health Actuary

July 27, 2026

APPENDIX A KEY ASSUMPTIONS

Item	Assumption	Comments
Account Investment Rate of Return	3.507% in 2026 3.206% in each year after	Based on February 2026 report provided by DEED
Salary Growth	3.6885%	Based on projections from DEED
Incidence Rate	Refer to table A	Based on review of other states' data in conjunction with Minnesota population demographics and Minnesota PFML program Rates reflect increases to move to ultimate incidence rate assumptions in future years
Duration	Refer to table B	Based on review of other states' data in conjunction with Minnesota population demographics and Minnesota PFML program
Initial Average Weekly Benefit Amount (AWBA)	\$1,082 in 2026	Based on review of Minnesota Q1 2026 claims provided by DEED
Eligible Population Covered by the State Plan	2,567,605	Based on Q4 2025 employer/employee data provided by DEED Excludes private plan population
Forecasted Changes in Employment Level	Refer to table C	Based on projections from DEED
Claims Administration	\$94,914,592 in 2026 7% of projected benefit payments for each calendar year after	Based on budget data provided by DEED
Small Employer Assistance Grants	\$567,222 in 2026 \$3.2M in each year after	Based on budget data provided by DEED

Table A: Incidence Rate Assumption by Year (Incidence Rate Per Year)

Leave Type	2026	2027	2028
Medical Leave	2.61%	2.69%	2.77%
Bonding Leave	1.53%	1.58%	1.62%
Family Care Leave	0.63%	0.65%	0.67%
Military Family Leave	0.09%	0.09%	0.10%
Safe Leave	0.09%	0.09%	0.10%
Total	4.95%	5.10%	5.25%

Table B: Duration Assumption

Leave Type	Proposed Assumption (Weeks)
Medical Leave	8.0
Bonding Leave	11.0
Family Care Leave	7.0
Military Family Leave	6.0
Safe Leave	6.0

Table C: Forecasted Changes in Employment Level

Calendar Year	% Change
2026	0.65%
2027	0.65%
2028	0.31%

APPENDIX B METHODS

This section provides a summary of the methods used to develop the reserve and budget projections provided in this report. The assumptions referenced in this section are provided in Appendix A – Key Assumptions.

B.1. Development of Premium, Claims and Expense Projections

B.1.1. Premium Projection

The projection of premium expected to be received was based on a review of employee data provided by DEED.

Premiums are due on or before the last day of the month following the close of the quarter.

The premium projection into future years reflects assumed wage increases and changes in the covered population. The estimate for premiums due but not yet received at the end of each period was based on the estimated premiums outstanding at the end of each year, excluding estimated premiums received during the period.

B.1.2. Claims Projection

The covered population was projected based on anticipated changes employment levels.

In order to develop estimated approved leaves, incidence rate assumptions for leave were applied to the covered population.

The average weekly benefit level was developed based on review of recent claims experience, and reflects projected based on wage growth, and potential changes in weekly benefit thresholds.

The claims cost projection was based on approved leaves for each period multiplied by assumed duration and projected average weekly benefit levels.

B.1.3. Other Expenses

Details of the administration budget and small employer assistance grants for each year were provided by DEED.

The projection reflects assumed expense levels for future years.

APPENDIX C SUMMARY OF DATA

C.1. Summary of Employee Data Received: Q4 2025 Data

Projected contributions are based on the following Q4 2025 employer and employee data provided by DEED:

- Employer Wage Report
- Quarterly Employee Wage Data

Projected 2026 contributions reflect salary growth and employment level expectations.

A summary of the data collected is provided below:

Employer Type	Employer Count	Employee Count	Total Wages
Over 30 Employees	93,860	2,076,397	\$130.7B
30 or Less Employees	143,581	491,208	\$18.5B
Total	237,441	2,567,605	\$149.2B

APPENDIX D CERTIFICATION BY MINNESOTA DEED

With respect to the financial results shown for the Minnesota PFML program for 2026 to 2028, I hereby certify that to the best of knowledge and belief:

- a. The actuarial assumptions used in this report and described in Appendix A represent management's best estimates of future events.
- b. This report includes all benefits covered under the Minnesota PFML program, as described in the Introduction.
- c. The Minnesota PFML supporting data provided by DEED and summarized in Appendix C of this report are complete and includes all data available up to May 28, 2026.
- d. There have been no events which occurred subsequent to June 30, 2026, that would materially change the Minnesota PFML program's financial results provided in this report.

Signature	<i>Greg Norfleet</i>
Name (printed)	Greg Norfleet
Title	Paid Leave Director
Date	7/30/2026